

## Message Text

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E.O. 11652: XGDS-3  
TAGS: AMGT, PFOR, DR  
SUBJ: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT - PART I

REF: CERP 0001

### 1. US INTERESTS

(1) THE DR LIES CLOSE TO THE US - SOME 600 MILES FROM FLORIDA AND ACROSS THE 62-MILE WIDE MONA PASSAGE FROM PUERTO RICO. ASTRIDE A SEA PASSAGE TO THE PANAMA CANAL, THE DR IS ALSO THE SPANISH-SPEAKING COUNTRY CLOSEST TO CUBA AND LIES BETWEEN CUBA AND PUERTO RICO. THE US THUS HAS A PRIMARY INTEREST IN PREVENTING THE COUNTRY FROM FALLING INTO HOSTILE HANDS.

(2) BECAUSE OF THE HISTORICALLY CLOSE DOMINICAN-US RELATIONSHIP AND PAST US INTERVENTIONS, THE US HAS A SIGNIFICANT INVESTMENT OF PRESTIGE IN THE COUNTRY AND AN IMPORTANT STAKE IN ITS VIABILITY AS A FREE WORLD STATE.

(3) THE DR IS THE SECOND LARGEST COUNTRY, NEXT TO CUBA, IN THE VOLATILE CARIBBEAN - WHERE THE US FACES INCREASING DIFFICULTIES IN DEALING WITH BRITISH COMMONWEALTH COUNTRIES. THE DR, IN PROGRESSING AS AN INDEPENDENT, FREE SOCIETY IN WHICH

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BASIC HUMAN RIGHTS ARE RESPECTED, SERVES TO DEMONSTRATE THE BENEFITS OF DEMOCRATIC GOVERNMENT, ACTS AS A FORCE FOR MODERATE, RESPONSIBLE BEHAVIOR ON THE PART OF DEVELOPING COUNTRIES IN THE HEMISPHERE, AND SUPPORTS US REGIONAL AND INTERNATIONAL OBJECTIVES.

(4) THE US HAS SUBSTANTIAL ECONOMIC INTERESTS IN THE DR:

AS THE LARGEST AND STILL GROWING MARKET FOR US GOODS AND SERVICES IN THE CARIBBEAN AND CENTRAL AMERICA (THE DR TOOK ABOUT \$500 MILLION IN US EXPORTS IN 1976); AS AN IMPORTANT OUTLET FOR US INVESTMENT (NOW ABOUT \$500 MILLION); AS A MAJOR SOURCE OF SUGAR AND A SUPPLIER OF FERRONICKEL AND OF BAUXITE; AND AS AN IMPORTANT SUPPLIER OF MEAT, FRESH FRUIT AND VEGETABLES TO PUERTO RICO.

(5) THE US ACTS AS A POWERFUL MAGNET TO WOULD-BE IMMIGRANTS FROM THE DOMINICAN REPUBLIC. ILLEGAL IMMIGRATION MUST BE KEPT TO LOWEST POSSIBLE LEVELS IN ORDER TO AVOID EXACERBATING EMPLOYMENT AND SOCIAL PROBLEMS IN THE US.

(6) EVEN THE RAPIDLY EXPANDING TOURISM FACILITIES IN THE DR CANNOT KEEP PACE WITH THE INCREASE IN NUMBERS OF TOURISTS ARRIVING HERE, MOST OF THEM AMERICANS. PROTECTION PROBLEMS ARE COMPOUNDED BY THE DIFFERENCES BETWEEN US AND DR TREATMENT OF DRUG OFFENDERS. WHILE THE US MOVES TOWARD GREATER TOLERANCE OF THE USE OF MARIJUANA, DR PENALTIES REMAIN HARSH AND ITS PRISONS ARE INSALUBRIOUS. SATISFACTORY ACCOMODATION OF THESE DIFFERING PRACTICES, IN THE FACE OF THE PRESENT AND PROJECTED GROWTH OF THE US TOURIST POPULATION, REQUIRES INCREASING ATTENTION BY THE EMBASSY.

#### B. OVERVIEW

AGAINST THE BACKGROUND OF ITS TURBULENT HISTORY AND THE NEAR CHAOTIC CONDITIONS CULMINATING IN THE 1965 CIVIL WAR AND US INTERVENTION, DEVELOPMENTS IN THE DR OVER THEPAST DECADE HAVE BEEN EXTRAORDINARILY CONGENIAL TO US INTEREST. THE COUNTRY HAS EXPERIENCED CONSIDERABLE POLITICAL TRANQUILITY AND FREEDOM,

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INCLUDING IMPROVED RESPECT FOR HUMAN RIGHTS, HAS ENJOYED SPECTACULAR ECONOMIC GROWTH, HAS PURSUED A MODERATE COURSE IN INTERNATIONAL AFFAIRS, SUPPORTING US INTERNATIONAL OBJECTIVES, AND IS FINDING A NEW SENSE OF NATIONAL IDENTITY AND PRIDE. THIS REMARKABLE RECORD IS LARGELY A CONSEQUENCE OF THE STATESMANSHIP, POLITICAL ACUMEN AND DEDICATION OF PRESIDENT BALAGUER IN GOVERNING THE COUNTRY DURING THREE SUCCESSIVE FOUR-YEAR TERMS IN OFFICE. SPECKLING THIS BEGINN picture, HOWEVER, ARE A NUMBER OF FACTORS WHICH ARE NOW LOOMING LARGER AS IMPEDIMENTS TO THE COUNTRY'S FUTURE PROGRESS.

(1) POLITICAL LEADERSHIP: POLITICS AND GOVERNMENT ARE OVERWHELMINGLY DOMINATED BY ONE AGING MAN, SET IN HIS WAYS, SECURE IN THE KNOWLEDGE THAT HE IS RUNNING THE COUNTRY MORE WISELY THAN ANY OTHER DOMINICAN COULD AND RELUCTANT TO SHARE POWER OR PREPARE A SUCCESSOR. POLITICAL INSTITUTIONS ARE NOT FIRMLY BASED, THEIR DEMOCRATIC TEXTURE IS FRAGILE, AND AS BALAGUER GROWS OLDER (HE WILL BE 70 THIS YEAR) AND BETRAYS GREATER PHYSICAL LIMITATIONS, THERE IS INCREASING UNCERTAINTY

AS TO HIS PHYSICAL CAPACITY TO GOVERN AND AS TO WHAT WILL HAPPEN WHEN HE LEAVES THE PRESIDENCY. IT IS WELL KNOWN THAT BALAGUER'S VISION IS SERIOUSLY IMPAIRED. HE SUFFERS FROM OTHER PHYSICAL PROBLEMS AS WELL. YET HE RETAINS HIS INTELLECTUAL VIGOR AND CONSIDERABLE PHYSICAL STAMINA AS HE STILL FOLLOWS A RIGOROUS DAILY SCHEDULE OF MEETINGS AND VISITS. IF HIS HEALTH DOES NOT DETERIORATE APPRECIABLY, AND IF HE CHOOSES TO RUN, HE STANDS A GOOD CHANCE OF WINNING THE NEXT ELECTION, IN MAY 1978. THE OPPOSITION IS FRAGMENTED AND THERE IS NO ONE IN THE CROWD OF PRESIDENTIAL ASPIRANTS WHO STANDS OUT AS A NATIONAL LEADER. AT THIS TIME, HOWEVER, I BELIEVE THAT THE PRESIDENT HAS STILL NOT MADE UP HIS MIND WHETHER HE WILL RUN FOR ANOTHER TERM. UNTIL IT IS EVIDENT THAT HE HAS REACHED A DECISION, IT WOULD BE UNPRODUCTIVE TO ASSESS ALTERNATIVES AND THEIR IMPLICATIONS FOR US INTERESTS.

(2) ECONOMIC AND SOCIAL DEVELOPMENT: ANOTHER MAJOR  
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IMPEDIMENT TO PROGRESS IS THE POVERTY OF MANY CAMPESINOS AND GROWING MASSES OF URBAN POOR, WHO CONSTITUTE THE GREAT MAJORITY OF DOMINICANS. MANY OF THEM LIVE AT NEAR SUBSISTENCE LEVELS, AND THE RATE OF UNEMPLOYMENT AND UNDEREMPLOYMENT AMONG THEM MAY BE AS HIGH AS 40 PERCENT. AS MODERN COMMUNICATIONS AND DIRECT CONTACTS IN THE CITIES MAKE THESE UNDERPRIVILEGED DOMINICANS MORE AWARE OF THE INCREASED PROSPERITY OF THE PRIVILEGED FEW AND OF GROWING NUMBERS OF THEIR MIDDLE CLASS COMPATRIOTS, THE RISK OF THEIR BECOMING MORE RESENTFUL AT NOT SHARING IN THE BENEFITS OF THE COUNTRY'S ECONOMIC GROWTH INCREASES. WITH ASPIRATIONS HIGHER, THEY ARE LIKELY TO FEEL MORE ACUTELY THE EFFECTS OF DOUBLE-DIGIT INFLATION AND OF WAGE RESTRAINTS. A HIGH POPULATION GROWTH RATE OF ABOUT 3 PERCENT AGGRAVATES THE SITUATION, TAXING FACILITIES, VITIATING EFFORTS TO SPREAD THE BENEFITS OF ECONOMIC DEVELOPMENT, AND GENERATING INCREASED FOOD IMPORT REQUIREMENTS; THE LAST, IN TURN, MEANS A HEAVIER FOREIGN EXCHANGE BURDEN SINCE AGRICULTURAL PRODUCTIVITY IS NOT KEEPING PACE WITH POPULATION GROWTH.

A FURTHER PROBLEM IS THAT THE ECONOMY IS EXCESSIVELY DEPENDENT ON A SINGLE CROP--SUGAR--WHICH ACCOUNTS FOR ABOUT HALF OF THE COUNTRY'S FOREIGN EXCHANGE EARNINGS AND ALMOST HALF OF ITS TAX REVENUES. US SUGAR POLICY WILL AFFECT THE DR'S ECONOMY AND ITS ATTITUDE TOWARD THE US MORE THAN THOSE OF ANY OTHER SUGAR PRODUCING COUNTRY. TRADITIONALLY OPERATING ON A THIN MARGIN OF FOREIGN RESERVES, THE DR CONFRONTED AN EVEN MORE ACUTE PROBLEM LAST YEAR WITH THE PLUMMETING OF SUGAR PRICES AND THE RISE IN PETROLEUM COSTS, RESULTING IN A B/P DEFICIT ON THE ORDER OF \$50 MILLION. OVER THE MEDIUM TERM, HOWEVER, PROSPECTS FOR GREATER DIVERSIFICATION AND IMPROVED B/P ARE GOOD, WITH EXPECTATIONS OF INCREASED REVENUES FROM MINERAL EXPLOITATION, HIGHER COFFEE PRICES

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AND EXPANDED TOURISM. NONETHELESS, US SUGAR POLICY DURING  
THE PARM PERIOD WILL BE OF CRUCIAL IMPORTANCE TO DOMINICAN  
ECONOMIC AND SOCIAL DEVELOPMENT.

(3) INTERNATIONAL ATTITUDES AND SECURITY: DOMINICANS  
ARE OVERWHELMINGLY PRO-WESTERN AND FAVORABLY DISPOSED TOWARD THE  
US. THE GODR ACKNOWLEDGES THE FREE WORLD LEADERSHIP ROLE OF THE  
US AND SUPPORTS THE US ON MAJOR INTERNATIONAL ISSUES, THOUGH  
DOMINICANS TEND TO TAKE A LOW POSTURE IN INTERNATIONAL FORUMS.  
WHILE ANXIOUS NOT TO BECOME ISOLATED FROM LATIN AMERICAN CON-  
SENSUS ON A GIVEN ISSUE, THEY STONGLY BELIEVE THAT IT BEHOOVES  
LATIN AMERICA TO AVOID CONFRONTATION WITH THE US. WITH A  
DEEPENING SENSE OF NATIONAL PRIDE, HOWEVER, THERE HAS APPEARED  
A GREATER SELF-ASSERTIVENESS, PARTICULARLY ON THE PART OF YOUNGER  
DOMINICANS, REFLECTED IN ADVOCACY OF A MORE INDEPENDENT DOMINICAN  
POSTURE AND OF CLOSER ASSOCIATION WITH OTHER DEVELOPING COUNTRIES  
TO DEFEND DOMINICAN INTERESTS. THE ESTABLISHMENT OF DOMINICAN  
DIPLOMATIC RELATIONS WITH MOROCCO AND EGYPT DURING THE PAST YEAR  
REPRESENTS A CONCESSION TO PRESSURES FOR EXPANDED DOMINICAN TIES  
WITH OTHER AREAS OF THE WORLD. THERE IS NO INDICATION, HOWEVER,  
THAT THE GODR INTENDS SOON TO ENTER INTO SUCH RELATIONS WITH ANY  
COMMUNIST COUNTRY. THERE IS A LINGERING CONCERN HERE WITH THE  
THREAT OF CUBAN-INSPIRED SUBVERSION, THOUGH AT THIS TIME THERE  
APPEARS NO SERIOUS DANGER OF EXTERNAL AGGRESSION OR OF INTERNAL  
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INSURGENCY BEYOND THE CAPABILITY OF THE DOMINICAN SECURITY FORCES TO SUPPRESS. A MORE LIKELY DANGER TO THE COUNTRY'S STABILITY IS THE INTENSE RIVALRY AMONG CERTAIN DOMINICAN MILITARY PERSONALTIES, WHICH COULD LEAD TO VIOLENT INTERNAL CONFRONTATION IF BALAGUER'S BALANCING, PRESTIGIOUS PRESENCE IS REMOVED AND A MUTUALLY ACCEPTABLE SUCCESOR CANNOT BE FOUND.

(4) BILATERAL RELATIONS: THERE ARE NO MAJOR ISSUES IN DOMINICAN-US RELATIONS. DOMINICANS REGARD THE US AS THE PRIME GUARANTOR OF THEIR SECURITY, AS THE MAIN DETERMINANT OF THEIR ECONOMIC STATUS, AS A PILLAR OF MORAL AND MATERIAL SUPPORT AND AS A LAND OF GREAT OPPORTUNITY WHICH SETS THE PATTERN FOR A FREE SOCIETY. RECALLING PAST US INTERVENTIONS, THEY ALSO PERCEIVE THE US TO BE A NATION OF OVERWHELMING POWER AND THEY GENERALLY BELIEVE THAT THE US CONTINUES TO EXERT A MAJOR INFLUENCE ON THE COURSE OF EVENTS IN THE DR. DOMINICANS HAVE BECOME MORE CONCERNED WITH PROTECTING THEIR INTERESTS FROM OUTSIDE DOMINATION AND WITH STRENGTHENING THEIR POSITION AS A PRIMARY COMMODITIES PRODUCER, WITH THE INTENT OF OBTAINING BETTER PRICES, BUT NOT OF FORMING CARTELS. AT THE SAME TIME, FOREIGN INVESTMENT CONTINUES TO BE WELCOMED.

SINCE SUGAR IS THE MAINSTAY OF THE DOMINICAN ECONOMY AND THE BULK OF IT GOEST TO THE US, THE DR IS TODAY AFFECTED MORE THAN ANY OTHER COUNTRY BY US ACTIONS ON SUGAR IMPORTS. THUS, THE RIPLING OF THE US SUGAR IMPORT DUTY LAST YEAR AND CURRENT PROPOSALS TO RESTRICT SUGAR IMPORTS INTO THE US HAVE CAUSED GREAT CONCERN HERE.

GODR SLOWNESS IN MAKING PAYMENTS ON PL 480 TITLE I, EXIMBANK AND POSTAL DEBTS DUE THE US IS ONE ASPECT OF OUR RELATIONS WHICH REQUIRES OUR CONTINUING ATTENTION. ANOTHER IS ILLEGAL IMMIGRATION. DOMINICANS ILLEGALLY IN THE US NUMBER IN THE HUNDREDS OF THOUSANDS. IF THIS PROBLEM IS NOT RESOLVED WISELY AND HUMANELY, IT COULD BECOME A SIGNIFICANT ISSUE IN OUR BILATERAL RELATIONS.

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A FACET OF THE HUMAN RIGHTS PROBLEM IS THE TREATMENT OF US CITIZENS WHO COME INTO CONFLICT WITH DOMINICAN DRUG LAWS. THERE HAVE BEEN AN INCREASING NUMBER OF ARRESTS AND SEVERAL INCARCERATIONS OF US TOURISTS FOUNDIN POSSESSION OF SMALL AMOUNTS OF MARIJUANA. GROWING TOLERANCE OF ITS USE IN THE US AND THE RAPID INCREASE IN THE NUMBER OF US TOURISTS VISITING THE DR COMBINE TO MAKE CONFLICT WITH RIGID DOMINICAN LAWS A PRESENT AND FUTURE SOURCE OF PROBLEMS. ALTHOUGH EMBASSY-GODR RELATIONS ARE CLOSE AND HARMONIOUS, ATTENTION TO THIS PROBLEM WILL UNDOUBTEDLY TAKE MORE AND MORE OF OUR TIME.

DOMINICAN AUTHORITIES ARE COOPERATING CLOSELY IN EFFORTS TO CONTROL ILLEGAL DRUG TRAFFIC.

(5) ASSESSMENT OF CURRENT POLICIES: CURRENT US POLICIES HAVE WELL SERVED OUR INTERESTS IN THE DR, BUT SOME FINE TUNING IS NOW WARRANTED AS THE COUNTRY APPROACHES THE MAY 1978 ELECTIONS. US PUBLIC RECOGNITION OF THE COUNTRY'S REMARKABLE PROGRESS OF THE PAST DECADE UNDER THE BALAGUER ADMINISTRATION, CORDIAL EMBASSY RELATIONS WITH GODR OFFICIALS, CLOSE AND FRIENDLY EMBASSY CONTACTS WITH REPRESENTATIVES OF ALL LEGITIMATE POLITICAL GROUPINGS, AND OUR POSTURE OF NON-INTERVENTION IN DOMESTIC AFFAIRS REMAINS APPROPRIATE. OUR COMMENTS TO DOMINICAN GOVERNMENT BODIES AND TO INFLUENTIAL PERSONALITIES NOTING HEIGHTENED US CONCERN WITH HUMAN RIGHTS, REINFORCING PUBLIC STATEMENTS OF PRESIDENT CARTER AND SECRETARY VANCE ON THIS SUBJECT, HAVE MADE A SIGNIFICANT IMPACT, AS REFLECTED IN THE GOVERNMENT'S RECENT PRISONER RELEASES AND IN PUBLIC STATEMENTS ON OBSERVANCE OF LEGAL PROCESSES. AS THE ELECTORAL CAMPAIGN GETS INTO GEAR, WE SHOULD TAKE OPPORTUNITIES TO REAFFIRM OUR POSTURE OF NEUTRALITY AND NON-INTERVENTION AND, TAKING ACCOUNT OF MILITARY RIVALRIES AND THE FRAGILITY OF THE COUNTRY'S POLITICAL INSTITUTIONS, STRESS THE IMPORTANCE OF RESPECT FOR CONSTITUTIONAL PROCESSES. OUR CLOSE CONTACTS WITH DOMINICAN MILITARY LEADERS, WHO PLAY A KEY ROLE IN THE COUNTRY'S STABILITY AND PRO-WESTERN ORIENTATION,

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WILL BE OF INCREASING IMPORTANCE. OUR MAP PROGRAMS SERVE THESE ENDS. THE CURRENT AND PLANNED LEVEL OF \$1 MILLION FOR FMS SEEMS APPROPRIATE, BUT I AM CONCERNED AT THE EFFECT OF THE RECENT CHANGE IN IMET ACCOUNTING ON THE DR'S PROGRAM--NOTABLY THE ABRUPT ELIMINATION OF IMPORTANT COMPONENTS FOR WHICH DOMINICAN PREPARATIONS WERE WELL ADVANCED. I URGE THAT IMET FUNDING FOR THE DR BE RESTORED TO A LEVEL WHICH WOULD PERMIT CONTINUATION OF THE MILITARY TRAINING PROGRAM HERE AS ORIGINALLY PROJECTED, WHILE WE CONTINUE OUR EFFORTS TO OBTAIN A GREATER DOMINICAN CONTRIBUTION TO ITS COST.

IN ASSISTING THE COUNTRY'S ECONOMIC AND SOCIAL DEVELOPMENT EFFORTS, WE HAVE PROPERLY GEARED OUR AID PROGRAMS TOWARD IMPROVING THE LOT OF THE MOST DISADVANTAGED GROUPS. OUR AGSECTOR II LOAN OF \$15 MILLION SIGNED LAST YEAR IS WELL FOCUSED ON INCREASING AGRICULTURAL PRODUCTIVITY BY PROVIDING SMALL FARMERS WITH ACCESS TO IMPROVED PRODUCTION METHODS. OUR \$4.8 MILLION HEALTH SECTOR LOAN SIGNED THE YEAR BEFORE ALSO SERVES THE NEEDS OF THE RURAL POOR BY HELPING FINANCE HEALTH CARE AND NUTRITION, ALONG WITH FAMILY PLANNING SERVICES, IN SMALL OUTLYING COMMUNITIES. FOLLOWING THROUGH ON THESE EFFORTS, WE PROJECT AN AGSECTOR III LOAN OF AROUND \$10 MILLION FOR FY 78, FOCUSED ON IMPROVED MARKETING MECHANISMS TO BENEFIT THE SMALL FARMER; A HEALTH SECTOR

II LOAN OF ABOUT \$5 MILLION FOR FY 79, TO DEVELOP POTABLE WATER SUPPLIES TO RURAL COMMUNITIES; AND AN EDUCATION SECTOR LOAN OF ABOUT \$5 MILLION TO GIVE RURAL CHILDREN GREATER ACCESS TO PRIMARY EDUCATION.

WE HAVE HELPED THE GODR COPE WITH ITS B/P DIFFICULTIES AND MEET ITS FOOD IMPORT REQUIREMENTS (WHILE PROMOTING US EXPORTS) BY PROVIDING CCC CREDIT (\$20 MILLION IN FY 76 AND \$30 MILLION IN FY 77), THOUGH WE HAVE NOT MADE LONGER-TERM PL 480 TITLE I ASSISTANCE AVAILABLE TO THE DR FOR SEVERAL YEARS. LATTER TYPE AID IN THE MAGNITUDE OF \$10 MILLION IN FY 78 (ADDED TO THE \$5 MILLION NOW UNDER CONSIDERATION FOR FY 77) WOULD NOT ONLY BE WELCOME B/P AND ECONOMIC DEVELOPMENT SUPPORT BUT WOULD ALSO SERVE AS A REMINDER  
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OF THE BENEFITS OF US FRIENDSHIP IN THE PRE-ELECTORAL PERIOD.

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WE SHOULD CONTINUE TO ENCOURAGE THE GODR TO MAKE GREATER USE OF IMF FACILITIES SINCE THE CUNTRY HAS A LOW DEBT-SERVICE RATIO AND THE IMF'S LOAN CONDITIONS WOULD ACT AS A FORCE FOR SOUND B/P DEFICIT MANAGEMENT.

HOWEVER, THE DOMINICAN B/P AND ECONOMY GENERALLY WILL BE AFFECTED MOST OF ALL BY THE OUTCOME OF CURRENT PROPOSALS TO REGULATE US SUGAR IMPORTS. MEASURES WHICH WOULD RESTRICT US IMPORTS OF DOMINICAN SUGAR AND/OR CONTINUE TO DEPRESS ITS RECEIPTS

FROM SUGAR SALES WOULD HAVE A SERIOUS ADVERSE IMPACT BOTH ON THE DOMINICAN ECONOMY AND DOMINICAN ATTITUDES, PARTICULARLY GIVEN THE DR'S RECORD AS A CONSISTENTLY RELIABLE SUPPLIER OF SUGAR TO THE US. CONVERSELY, A RETURN TO A SYSTEM OF SUGAR IMPORT QUOTAS (SUCH AS WAS IN EFFECT UNDER THE LEGISLATION WHICH EXPIRED IN 1974) GUARANTEEING THE DR A FAIR SHARE OF US SUGAR IMPORTS AT A REASONABLE PRICE WOULD BOTH BENEFIT THE DOMINICAN ECONOMY AND ENHANCE THE DOMINICAN IMAGE OF THE US. EITHER WAY, THE US ACTION ON SUGAR IMPORTS COULD BECOME A FACTOR IN NEXT YEAR'S ELECTION CAMPAIGN.

US TRADE AND INVESTMENT INTERESTS HAVE BEEN SUBSTANTIALLY FURTHERED BY VARIOUS EMBASSY SERVICES (INFORMATION; ENCOURAGING DOMINICAN PURCHASES OF US EQUIPMENT, GOODS AND SERVICES; GOOD OFFICES IN NEGOTIATIONS; AND HELP IN RESOLVING TRADE AND INVESTMENT DISPUTES) AND BY EXIMBANK, CCC AND US COMMERCIAL BANK CREDITS.

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OUR STRATEGY IN DEALING WITH GODR DELAYS IN PAYMENTS ON PL 480, POSTAL, EXIMBANK AND OTHER DEBTS TO THE US HAS HAD CONSIDERABLE SUCCESS. AS A RESULT OF MY FREQUENT DISCUSSIONS ON THE SUBJECT WITH THE PRESIDENT, AND EMBASSY APPROACHES TO OTHER OFFICIALS, THE GODR HAS NOW BECOME COMPLETELY CURRENT ON ITS PL 480 DEBT PAYMENTS, AN UNDERSTANDING HAS BEEN REACHED ON A SCHEDULE FOR PAYMENT OF THE POSTAL DEBT AND MOST OUTSTANDING COMMERCIAL DEBTS TO US FIRMS HAVE BEEN PAID. I WOULD, OF COURSE, LIKE TO HAVE THE DEBT REPAYMENT PROCESS SYSTEMATIZED AT A LOWER LEVEL AND WE WILL CONTINUE EFFORTS TOWARD THAT END. IT WILL BE DIFFICULT TO BRING THIS ABOUT DURING BALAGUER'S TENURE, HOWEVER, GIVEN HIS INGRAINED, ANTIQUATED METHODS OF EXERCISING PERSONAL, DETAILED FISCAL CONTROL. I DO NOT BELIEVE IT IS CONDUCIVE TO FURTHERING OUR PRIMARY OBJECTIVES HERE, OR EFFECTIVE, FOR WASHINGTON AGENCIES TO WITHHOLD AUTOMATICALLY OTHER TYPES OF CREDIT FROM THE GODR UNTIL PL 480 DEBT ARREARAGES ARE PAID. THE GODR ACKNOWLEDGES THESE DEBTS AND EVENTUALLY MAKES THE PAYMENTS DUE, THROUGH SOMETIMES LATE AND WITH SOME EMBASSY NUDGING. WITHHOLDING CCC CREDIT FROM THE DR UNTIL ARREARAGES ARE SETTLED, AS WAS THE CASE LAST YEAR, MEANS THAT THE US DOES NOT MAKE EXPORT SALES THAT IT USUALLY SEEKS TO PROMOTE, THE GODR LOOKS ELSEWHERE TO MEET ITS NEEDS, AND IT MAY USE ADDITIONAL SCARCE FOREIGN EXCHANGE TO MEET THESE NEEDS, LEAVING LESS FOR DEBT SERVICING.

AS US INVOLVEMENT IN OTHER DOMINICAN SECTORS HAS DIMINISHED, OUR CULTURAL ACTIVITIES HERE HAVE ASSUMED INCREASING IMPORTANCE IN PROJECTING AMERICAN PRESTIGE AND INFLUENCE. SINCE OFFICIAL US FUNDS FOR SUCH ACTIVITIES ARE VERY LIMITED, WE HAVE MOUNTED A "SHOESTRING" OPERATION HERE, THROUGH WHICH WE HAVE BEEN ABLE TO CONDUCT A NUMBER OF CULTURAL AND SPORTS EXCHANGE PROGRAMS AT VIRTUALLY NO COST TO THE USG, I.E. BY SOLICITING SUPPORT FROM LOCAL AMERICAN BUSINESS FIRMS, DOMINICAN BUSINESSMEN, DOMINICAN GOVERNMENT AGENCIES AND US ORGANIZATIONS, WHILE



PROVIDING EMBASSY FACILITATIVE SUPPORT. THROUGH THIS OPERATION, WE HAVE BEEN ABLE TO BRING US SYMPHONY ORCHESTRAS OF MAJOR REPUTE TO THE DR, ARRANGE FOR APPEARANCES AND EXHIBITIONS OF US  
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ARTISTS AND ARRANGE THE VISITS OF DOMINICAN YOUTHS FROM POORER DISTRICTS OF SANTO DOMINGO TO FLORIDA SPRING TRAINING CAMPS OF US MAJOR LEAGUE BASEBALL TEAMS. OUR OFFICIAL CULTURAL EXCHANGE PROGRAMS ARE WORKING WELL; WE HAVE BEEN ABLE TO ATTRACT LEADING DOMINICAN FIGURES TO OUR LEADERSHIP GRANT PROGRAM, WHICH IS AT ABOUT THE RIGHT LEVEL; OUR BI-NATIONAL CENTER AT SANTO DOMINGO IS THRIVING--A NEW BUILDING RECENTLY OPENED--AND THE BNC AT SANTIAGO WAS RECENTLY INAUGURATED, FINANCED BY OUTSIDE CONTRIBUTIONS.

ON THE PROBLEM OF ILLEGAL IMMIGRATION TO THE US, WE ARE CONTINUING TO WORK CLOSELY WITH DOMINICAN AUTHORITIES, AT THE HIGHER AS WELL AS LOWER LEVELS, IN PURSUING CASES OF VISA FRAUD, AND THEY HAVE BEEN VERY COOPERATIVE IN TRACKING DOWN VISA FRAUD SCHEMES, ASSISTING OUR INVESTIGATORS IN THEIR INQUIRIES ON INDIVIDUAL CASES AND IN GIVING PUBLICITY TO DETECTED CASES. THE PROBLEM IS A PERVASIVE ONE, HOWEVER, INTENSIFIED BY EMIGRATION COMPULSIONS OF DOMINICANS WHO SEE IN THE US THEIR ONLY RECOURSE FOR IMPROVING THEIR LOT AND BY THE DIFFICULTY OF ASSESSING THE TRUE INTENTIONS OF NON-IMMIGRANT VISA APPLICANTS (THROUGH OUR NIV REFUSAL RATE IS HIGH).

THE DR DOES NOT HAVE A DRUG PROBLEM, POSSIBLY DUE IN PART TO VIGOROUS ENFORCEMENT AND STIFF PENALTIES. IT IS SOMEWHAT DIFFICULT TO CONVINCE DOMINICAN AUTHORITIES THAT LESS THAN MAXIMUM SENTENCES, INCLUDING PRISON TERMS, SHOULD BE IMPOSED ON US CITIZENS CARRYING SMALL AMOUNTS OF MARIJUANA. AUTHORITIES ARE ACCESSIBLE AND REASONABLE, HOWEVER, AND TOURISM PROMOTION ENGAGES MANY AGENCIES OF GOVERNMENT. WE THEREFORE BELIEVE THAT THE PROBLEM, ALTHOUGH CERTAIN TO GROW, IS MANAGEABLE.

#### C. OBJECTIVES, COURSES OF ACTION AND ISSUES

OBJECTIVE 1: MAINTAIN FREE WORLD ORIENTATION OF THE DR.

##### COURSES OF ACTION:

(1) SHOW SYMPATHETIC US INTEREST IN DOMINICAN CONCERNS

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THROUGH PUBLIC STATEMENTS, CONSULTATIONS, VISITS OF US OFFICIALS AND RESPONSIVENESS TO DOMINICAN REQUESTS FOR US ASSISTANCE.

(2) THROUGH CLOSE EMBASSY CONTACT, PERSUADE DOMINICAN GOVERNMENT OFFICIALS AND OTHER INFLUENTIAL FIGURES IN ALL WALKS OF DOMINICAN LIFE OF THE BENEFITS TO THEM AND THEIR COUNTRY OF FREE WORLD ORIENTATION.

(3) CONDUCT INFORMATIONAL AND CULTURAL PROGRAMS OF CURRENTLY PROJECTED TYPES AT EXISTING LEVELS, ALLOWING FOR INFLATION.

(4) THROUGH MILITARY SECURITY ASSISTANCE AT ABOUT LEVEL PLANNED FOR FY 1978 (\$1 MILLION IN FMS AND \$750,000 IN IMET), HELP MAINTAIN AND STRENGTHEN DOMINICAN CAPABILITY TO COMBAT INSURGENCY, EXERT US INFLUENCE ON DOMINICAN MILITARY LEADERSHIP AND ENCOURAGE USE OF US MILITARY EQUIPMENT.

(5) MAINTAIN DIALOGUE WITH FOREIGN SECRETARIAT AND OTHER IMPORTANT DOMINICAN OFFICIALS ON ISSUES CONSIDERED IN INTERNATIONAL ORGANIZATIONS WITH A VIEW TO OBTAINING THEIR SUPPORT FOR US POSITIONS ON SUCH ISSUES.

OBJECTIVE 2: PROMOTE STABLE, DEMOCRATIC GOVERNMENT IN THE DR, INCLUDING CONTINUED IMPROVED OBSERVANCE OF FUNDAMENTAL HUMAN RIGHTS.

COURSES OF ACTION:

(1) EMPHASIZE, ESPECIALLY WITH THE MILITARY LEADERS, US SUPPORT FOR OBSERVANCE OF CONSTITUTIONAL PROCESSES IN SELECTION OF THE COUNTRY'S GOVERNMENT LEADERSHIP, IN REGULATING POLITICAL ACTIVITY AND IN JUDICIAL MATTERS.

(2) MAINTAIN US POSTURE OF NEUTRALITY IN THE FORTHCOMING ELECTORAL CAMPAIGN, EMPHASIZING THAT IT IS UP TO THE DOMINICAN PEOPLE TO DETERMINE THEIR LEADERSHIP AND THAT THE US WILL RESPECT THEIR FREE CHOICE.

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(3) UTILIZE OPPORTUNITIES IN CONTACTS WITH DOMINICAN OFFICIALS AND OTHER INFLUENTIAL PERSONALITIES TO EMPHASIZE US CONCERN WITH (A) RESPECT FOR FUNDAMENTAL HUMAN RIGHTS AND CIVIL LIBERTIES IN ALL PARTS OF THE WORLD, AND (B) A CONTINUED IMPROVED HUMAN RIGHTS RECORD IN THE DOMINICAN REPUBLIC SPECIFICALLY.

(4) CONDUCT VISITOR EXCHANGE PROGRAMS AT EXISTING LEVELS.

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ACTION ARA-10

INFO OCT-01 ISO-00 SS-15 SP-02 PER-01 SIG-01 A-01  
MMO-01 EB-08 SCA-01 IO-13 INR-07 PM-04 CU-02  
AGRE-00 AID-05 COME-00 CIAE-00 DODE-00 FEA-01  
NSC-05 TRSE-00 USIA-06 /084 W  
-----282204Z 014032 /72

R 281922Z MAR 77  
FM AMEMBASSY SANTO DOMINGO  
TO SECSTATE WASHDC 113

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OBJECTIVE 3: PROMOTE ECONOMIC AND SOCIAL DEVELOPMENT IN THE DR.  
COURSES OF ACTION:

(1) CONTINUE AID PROGRAMS FOCUSSED ON RAISING LIVING  
STANDARDS OF DISADVANTAGED GROUPS. MAKE AVAILABLE AGSECTOR  
III LOAN OF ABOUT \$10 MILLION IN FY 78 AND HEALTH SECTOR II  
LOAN OF ABOUT \$5 MILLION AND EDUCATION SECTOR LOAN OF ABOUT \$5  
MILLION IN FY 79.

(2) AS PERMITTED BY US DOMESTIC CONSIDERATIONS, PUT INTO  
EFFECT A REGIME OF SUGAR IMPORTS INTO THE US ENABLING DR TO SELL  
ITS CUSTOMARY SHARE OF SUGAR TO THE US AT A REASONABLE PRICE.  
SUGAR IMPORT QUOTA LEGISLATION, SIMILAR TO THAT WHICH EXPIRED IN  
1974, WOULD BE THE MOST DESIRABLE COURSE TO SUPPORT OBJECTIVE 3.  
SHOULD US DOMESTIC CONSIDERATIONS RENDER SUCH LEGISLATION IN-  
FEASIBLE, THE US, IN RESPONSE TO THE SHARP NEGATIVE DOMINICAN  
REACTION SHOULD BE PREPARED TO INCREASE QUICKLY, ON POLITICAL/  
ECONOMIC/DEVELOPMENTAL GROUNDS, ITS ECONOMIC AND TECHNICAL  
ASSISTANCE INCLUDING PL 480 TITLE I SALES TO THE DR.

(3) ENCOURAGE THE GODR TO MAKE GREATER USE OF IMF DRAWINGS  
IN DEALING WITH B/P PROBLEMS.

(4) MAKE CREDIT AVAILABLE THROUGH THE CCC AND PL 480  
TITLE I TO ASSIST THE GODR IN PURCHASING ITS FOOD IMPORT REQUIRE-  
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MENTS. LEVELS OF \$10 MILLION UNDER PL 480 TITLE I IN FY 78 AND  
\$30-50 MILLION UNDER CCC APPEAR APPROPRIATE FOR FY 78 AND 79.

(5) CONTINUE PL 480 TITLE II ASSISTANCE TO THE DR AT THE  
PLANNED LEVELS (ABOUT \$6 MILLION) FOR THE EXT TWO YEARS, WITH  
THE GOAL OF PHASING THE PROGRAM OUT IN FY 81 AND ENCOUR-

AGING THE GODR TO ASSUME COMPLETE RESPONSIBILITY FOR IT  
AFTERWARD.

(6) CONTINUE PEACE CORPS PROGRAM IN DR AT PRESENT LEVEL.  
OBJECTIVE 4: MAINTAIN IN THE DR A MARKET FOR US EXPORTS AT  
ABOUT THE EXISTING PROPORTION OF DOMINICAN IMPORTS, TO KEEP  
PACE WITH THE COUNTRY'S ECONOMIC GROWTH; MAINTAIN A FAVORABLE  
CLIMATE FOR US INVESTMENT, AGAIN AT ABOUT THE EXISTING PROPOR-  
TION OF TOTAL FOREIGN INVESTMENT (TO AVOID MAKING THE US TOO  
CONSPICUOUS A TARGET OF ATTACKS ON FOREIGN DOMINATION OF THE  
DOMESTIC ECONOMY); AND MAINTAIN THE STATUS OF THE DR AS A MAJOR,  
RELIABLE SUPPLIER OF US SUGAR.

COURSES OF ACTION:

(1) PROVIDE EMBASSY SERVICES TO US AND DOMINICAN FIRMS  
SEEKING INFORMATION AND ADVICE ON TRADE RELATIONS AND INVESTMENT  
OPPORTUNITIES AND GOOD OFFICES IN FURTHERING NEGOTIATIONS AND  
RESOLVING DISPUTES ONSUCH MATTERS.

(2) ENCOURAGE AND ASSIST US TRADE MISSIONS TO THE DR AND  
DOMINICAN ATTENDANCE AND PARTICIPATION IN US TRADE EXHIBITS AND  
FAIRS.

(3) MAKE AVAILABLE EXIMBANK, CCC AND US COMMERCIAL BANK  
CREDITS FOR PURCHASES OF AMERICAN EQUIPMENT, GOODS, COMMODITIES  
AND SERVICE.

(4) MAINTAIN CLOSE EMBASSY CONTACTS WITH GOVERNMENT OFFICIALS  
CONCERNED WITH ECONOMIC MATTERS TO EMPHASIZE MUTUAL BENEFITS  
OF FOREIGN INVESTMENT AND DOMINICAN-US TRADE AND DISCOURAGE  
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LEGISLATION AND REGULATIONS RESTRICTIVE OF SUCH INVESTMENT  
AND TRADE.

(5) SAME AS COURSE 2 OF OBJECTIVE 3.  
OBJECTIVE 5: REDUCE ILLEGAL IMMIGRATION OF DOMINICANS TO US.

COURSES OF ACTION:

(1) IMPRESS ON DOMINICAN OFFICIALS THAT ILLEGAL IMMIGRATION  
IS A MATTER OF MAJOR US CONCERN.

(2) WORK CLOSELY WITH DOMINICAN OFFICIALS IN UNCOVERING  
VISA FRUAD SCHEMES AND DETECTING CASES OF FALSE DOCUMENTATION  
AND OTHER METHODS OF VISA FRAUD.

(3) PUBLICIZE, THROUGH USIS CONTACTS WITH DOMINICAN MEDIA,  
CASES OF VISA FRAUD DETECTED HERE AND US DEVELOMENTS RELATING  
TO ILLEGAL IMMIGRATION, UNDERSCORING THE VICTIMIZATION OF  
DOMINICANS TAKEN INBY VISA FRAUD SCHEMES AND THE PENALTIES OF

LEGAL ACTION AND MONETARY LOSS TO WHICH PERPETRATORS AND VICTIMS ARE SUBJECT.

OBJECTIVE 6: OBTAIN ACCOMMODATION BETWEEN RIGID DOMINICAN DRUG LAW ENFORCEMENT AND GROWING US TOLERANCE OF POSSESSION OF SMALL AMOUNTS OF MARIJUANA IN ORDER TO PROVIDE ADEQUATE PROTECTION TO US CITIZENS.

COURSES OF ACTION:

(1) INFORM US TOURISTS, BEFORE THEIR ARRIVAL, OF RIGIDITY OF DOMINICAN DRUG ENFORCEMENT.

(2) ARRANGE PENALTY-FREE DISPOSAL FACILITY AT AIRPORT.

(3) SEEK TO MODERATE PENALTIES, ESPECIALLY TO AVOID PRISON SENTENCES FOR U.S. CITIZENS CONVICTED OF POSSESSION OF SMALL AMOUNTS OF MARIJUANA.

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Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
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